



AUDIT COMMITTEE

1 March 2017

Subject Heading:

Head of Assurance Quarter Three
Progress Report:
3rd October to 31st December 2016

CMT Lead:

Jane West
Managing Director oneSource

Report Author and contact details:

David Hogan, Head of Assurance.
Tel: 0203 0454943
E-mail: david.hogan@bexley.gov.uk

Policy context:

To inform the Committee of progress on
the assurance work undertaken in Quarter
Three of 2016/17.

Financial summary:

N/A

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	[x]
People will be safe, in their homes and in the community	[x]
Residents will be proud to live in Havering	[x]

SUMMARY

This report advises the Committee on the work undertaken by the assurance team during the period 3rd October to 31st December 2016.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

This progress report contains an update to the Committee regarding assurance activity. The report is presented in three sections.

Section 1 Introduction, Issues and Assurance Opinion

Section 2 Executive Summary: A summary of key messages from quarter three.

Section 3 Appendices: Provide supporting detail for members' information

Appendix A: Detail of Quarter Three Internal Audit Work
(3rd October to 31st December 2016)

Appendix B: Summary of Limited Assurance Audit Reports

Appendix C: List of High Priority Audit Recommendations

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks and ultimately good governance. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obliged to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. Such failures may result in financial losses for the Council.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report.

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Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

N/A

Section 1: Introduction, Issues and Assurance Opinion

1.1 Introduction

- 1.1.1 The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 1.1.2 Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a simple framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation:
- First line – operational management controls
 - Second line – monitoring controls, e.g. the system's owner
 - Third line – independent assurance. (Internal audit forms the Council's third line of defence)
- 1.1.3 An independent internal audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Committee and senior management on the riskier and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.
- 1.1.4 The work of internal audit is critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and forms the basis of the annual opinion provided by the Head of Assurance which contributes to the annual governance statement. It can also perform a consultancy role to assist in identifying improvements to the organisation's practices.
- 1.1.5 Members of the Assurance Service have been involved in work with the new Section 151 Officer, Monitoring Officer and new Director of Finance for oneSource to refresh the Governance Group arrangements and the approach to collating evidence for the Annual Governance Statement. They have also been working with senior management to update Risk Registers, and to integrate Audit and Counter Fraud Plans with those. Horizon scanning work has already taken place with other Heads of Audit and through the Croydon Framework to identify common risk and audit themes. Updated Risk Registers and Audit Plans for 2017/18 will be presented to the Audit Committee in May and will and will reflect the new approach.
- 1.1.6 Members will be aware that the full range of Assurance Services, Internal Audit, Counter Fraud, Risk Management & Insurance are now delivered by a shared service with LB Bexley and LB Newham under the oneSource banner. The new structure will deliver additional resilience, financial savings and efficiencies required in challenging financial times. This will be achieved by sharing management posts, removing management duplication, and by improving the effectiveness and efficiency of processes.
- 1.1.7 A recruitment campaign is underway to recruit staff with the required skills to fill vacancies. Members were previously advised that this will be a transitional year

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whilst the service develops a consistent approach, in line with the principles in the business case that will ensure duplication is removed and partners receive the same service standard. A number of other authorities have requested meetings to discuss the model and any controlled expansion of the arrangements would benefit the member boroughs.

- 1.1.8 This composite report brings together all aspects of internal audit and anti-fraud work undertaken in quarter three, 2016/17, in support of the Audit Committee's role.
- 1.1.9 The report provides the Head of Assurance's ongoing assurance opinion on the internal control environment and highlights key outcomes from audit and anti-fraud work and provides information on wider issues of interest to the Council's Audit Committee. The Appendices provide greater detail for the Committee's information.

1.2 Level of Assurance

- 1.2.1 At the November Committee meeting, Members received the Head of Assurance's opinion based upon the work undertaken in quarter two of 2016/17, which concluded that reasonable assurance could be given that the internal control environment is operating adequately.
- 1.2.2 Based upon the work undertaken since the last update to Members, no material issues have arisen, which would impact on this opinion. There have been four Limited Assurance reports issued this quarter. These are summarised in Appendix B.

Section 2. Executive Summary of work undertaken in quarter three, 2016/17

- 2.1.1 There have been 16 reports issued in quarter three. One of these was Substantial Assurance, 11 were Moderate Assurance and four Limited Assurance. All limited assurance reports were in respect of schools' triennial reviews.
- 2.2.1 Proactive Audit Work Plan for quarter three is shown within Appendix A.
- 2.3.1 During the quarter the investigations team:
- have recovered two properties with a notional value of £36,000;
 - had seven Right to Buy applications withdrawn, with a notional value of £608,928
- 2.3.2 The total net savings for the project from Oct 2015 to Dec 2016 is £3,113,313, after investigation costs.
- 2.4.1 Members will be pleased to note that oneSource Assurance Services have been shortlisted for the Innovation in Internal Audit Public Finance award.
- 2.4.2 The team submitted an application highlighting work on the schools' audit programme. The team developed an app based programme to enable them to navigate round schools (using a tablet) in a more effective and efficient way, whilst considering the work they do on a risk basis – in short it has enabled auditors to 'do more with less'. Working in this way is a change to how the team had traditionally audited schools and has also helped to promote the oneSource vision 'To be the one source of innovative support and affordable quality to public services'.
- 2.4.3 The winner in this category will be an individual or an organisational scheme that convinces the judges they have identified and supported the management and mitigation of organisational risk, and demonstrated outstanding levels of technical expertise. They will also have successfully improved organisational processes, systems and policies, whilst simultaneously supporting excellence in corporate governance.

**Appendix A: Quarter Three Internal Audit Work
(5th October 2016 to 31st December 2016)**

1.1 Risk Based Systems and School Audits

1.1.1 As at 31st December 2016, 16 assignments had been completed in the previous quarter. As outlined at the last Audit Committee meeting, a list of all audits completed during the quarter is detailed below with associated audit opinion (assurance level). Where there is a limited assurance a summary of the audit report is included in Appendix B. For moderate and substantial assurance levels further information can be made available on request.

Report	Assurance	Recommendations				Ref
		High	Med	Low	Total	
System / Computer Audits						
Catering	Moderate	0	6	0	6	N/A
NEPRO	Moderate	0	4	0	4	N/A
Schools Capital	Moderate	1	0	0	1	N/A
SWIFT	Substantial	0	0	0	0	N/A
Cheque Processing	Moderate	0	2	0	2	N/A
Pool Car	Moderate	1	0	0	1	N/A
NNDR Valuation & Liability (oneSource audit covering LB Newham and LB Havering)	Moderate (overall)	3	3	0	6	N/A
School Audits						
Newtons Primary	Moderate	3	7	1	11	N/A
Mead Primary	Limited	3	13	2	18	B (1)
Parsonage Farm Primary	Moderate	1	5	9	15	N/A
Royal Liberty Secondary	Moderate	1	4	4	9	N/A
St Ursulas Junior	Moderate	0	4	3	7	N/A
Gaynes Secondary	Moderate	0	9	1	10	N/A
Sanders Secondary	Limited	6	17	2	25	B (2)
Broadford Primary	Limited	4	7	1	10	B (3)
Wykeham Primary	Limited	13	12	0	25	B (4)
Total		36	93	23	150	

Key to Assurance Levels	
Substantial Assurance	There is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
Moderate Assurance	Whilst there is basically a sound system of control within the areas reviewed, a need was identified to enhance controls and/or their application and to improve the arrangements for managing risks.

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Limited Assurance	There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.
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1.1.2 Management summaries for the four limited assurance school reports are included under Appendix B: Summary of Limited Assurance Audit Reports.

1.2 Key Performance Indicators

1.2.1 The table below details the profiled targets and the performance to date at the end of December 2016. The total number of audits, where there will be a standard approach to deliverables for 2016/17 is 63.

Performance Indicator	Quarter 3 Target	Quarter 3 Actual	Quarter 3 Variance
Percentage of Audit Plan Delivered	72%	68%	-4%
Number of Briefs Issued	33	30	-3
Number of Draft Reports Issued	21	12	-9
Number of Final Reports Issued	19	9	-9

1.2.2 The Service was restructured during 2016, with the aim of maximizing the use of audit resources – balancing the provision of an effective internal audit service with what the Council can afford. The restructure has inevitably had some impact on the delivery of the Plan during the year, due to the organisational change.

1.3 Outstanding Audit Recommendations Update

1.3.1 Internal audit follow up all recommendations with management when the deadlines for implementation pass. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations in systems where limited assurance was given is verified through a follow up audit review.

1.3.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high priority recommendations.

1.3.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

High:	Fundamental control requirement needing implementation as soon as possible.
Medium:	Important control that should be implemented
Low:	Pertaining to best practice.

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1.3.4 The list of the High Priority Risks is shown in Appendix C; the current level of implementation is shown in the table below.

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1.4 Outstanding Audit Recommendations

1.4 Outstanding Audit Recommendations			No. of Recommendations in the Original Report			Position as at 02/01/17		
Audit Year	Area Reviewed	Director / HoS Responsible	Assurance Level	H	M	L	Complete	In Progress
15/16	Service Manager	Exchequer & Transactional Services	Substantial	2	4	1	5	2
15/16	Offsite Storage	ICT Services	Limited	3	3	0	0	6
2015/16 Totals				5	12	1	8	10

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2.1 Proactive Audit and Counter Fraud

2.1.1 Proactive work undertaken during quarter three is shown below:

Description	Risks	Quarter 3 Status
Whistleblowing	All whistleblowing referrals.	Ongoing
Investigation Recommendations	The recording of all investigation recommendations, follow ups and assurance of implementation.	Ongoing
Freedom of Information Requests	To undertake all Freedom of Information Requests relating to Internal Audit Investigations.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately.	Ongoing
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance.	Ongoing
Advice to Local Authorities	All Data Protection Act requests via Local Authorities, Police etc.	Ongoing

2.1.2 The proactive audit work comprises two elements:

- A programme of proactive audits; and
- Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.

2.2 Reactive Audit Investigation Cases

2.2.1 The table below provides the total cases at the start and end of the period as well as referrals, cases closed and cases completed.

Caseload Quarter 3 2016/17						
Cases at start of period	Referrals received	Referred To Criminal Fraud Team	Referred to HR	Audit Investigations		
				Not Proven Cases	Successful Cases	Cases at end of period
12	7	0	0	4	8	7

2.2.2 The table below provides information on the sources of audit investigation referrals received.

Source and Number of Referrals Quarter 3 2016/17	
Number of Referrals/ Type	IA Reports Qtr. 3
External Organisations / Members of the Public	0
Internal Departments	7
Total	7

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2.2.3 The table below shows the number and categories of audit investigation cases received during quarter three, compared to the quarter two totals.

Reports by Category		
Audit Investigation Category	Cases Qtr. 2	Cases Qtr. 3
Breach of Code of Conduct	1	1
Breach of Council Procedures	2	0
Falsification of records	0	1
Miscellaneous	5	1
Misuse of Council Time	2	3
Procurement	1	1
Theft	3	0
Total	14	7

2.2.4 The table below shows the case outcomes for Internal Audit investigations from October to December 2016.

Case Outcomes	
Outcome	Qtr. 3
Management Action Plan	6
Insufficient Evidence	3
Resignation	1
Disciplinary	1
Not Applicable	1
Total	12

2.3 Savings and Losses

2.3.1 The investigations carried out provide the Council with value for money through:

- The identification of monies lost through fraud and the recovery of all or part of these sums; and
- The identification of potential losses through fraud in cases where the loss was prevented.

2.3.2 There have been no identifiable savings or losses identified during quarter three of 2016.

2.4 Audit Investigation Recommendations

2.4.1 In 2015/16 there were 27 'Recommendations Not Yet Due' carried forward. Eight recommendations had been made as at the end of September 2016 and 34 recommendations were made during Quarter three.

Quarter 3: Audit Investigation Recommendations	
Total Recommendations as at Quarter 3	69
Recommendations Implemented	53

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Recommendations Not Yet Due	3
Recommendations Rejected	3
Recommendations Slipped	10
Of Which High Priority	6

2.5 Investigations Team

2.5.1 During the quarter the majority of resource has been focused on the Tenancy Fraud Project. The Tables below shows the work undertaken on the project during quarter two.

Housing Investigations – Visiting Team				
Quarter Three	Tenancy Audit Visits	Tenancy Audits (Checks) completed	Referrals from Audit to Fraud	closed
Oct	2016	653	5	648
Nov	1587	416	10	406
Dec	807	172	3	169
YTD*	14,351	4,207	137	4,070

Investigation Team							
Quarter Three	Cases Under Investigation (open cases)	NFA'D	Notice to Quit Served	Possession Order Granted	Total Properties Recovered	Cases referred for HB Fraud	RTB cancelled through audits
Oct	161	10	0	0	1	0	3
Nov	172	7	4	0	1	1	3
Dec	180	0	0	0	0	0	1
YTD*	N/A	122	18	4	17	6	18

*April 2016 to December 2016

2.5.2 Outcomes for the quarter include the following;

- Two properties were recovered with a notional value of £36,000; and
- 7 Right to Buy applications were withdrawn, with a notional value of £608,928.
- The total net savings for the project from Oct 2015 to Dec 2016 is £3,113,313, after investigation costs.

Appendix B: Summary of Limited Assurance Audit Reports

Mead Primary School	Schedule B (1)
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1.1 Outline of Audit

- 1.1.1 The audit of Mead Primary School was undertaken as part of the rolling triennial programme of school audits as set out in the Council's 2016/2017 audit plan.
- 1.1.2 Mead Primary School was last audited in December 2015 when the completion of the Audit Health Check resulted in an opinion of Full Assurance on the system of internal control being given. The opinion reflected the fact that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- 1.1.3 The December 2015 report made two recommendations, comprising of one medium and one low priority recommendation. Progress to implement these recommendations has been reviewed as part of this audit.

1.2 Objectives and Scope

- 1.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Leadership and Management;
 - Strategic Planning & Risk Management;
 - Financial Management;
 - Income;
 - Expenditure;
 - Account Management;
 - HR & Payroll; and
 - Asset Control & Data Security.

1.3 Summary of Audit Findings

- 1.3.1 This review found that both recommendations raised in December 2015 have been fully implemented.
- 1.3.2 Mead Primary School and Broadford Primary School federated under one Governing Body from 1st July 2016.
- 1.3.3 A review of the Scheme of Delegation / Delegated Authority document against the Finance Policy & Procedures found inconsistencies in the authorised approvers listed.
- 1.3.4 Meetings are being minuted; however key decisions made are not being formally documented within the minutes.

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- 1.3.5 Declarations of pecuniary interests for Governors are held at the corresponding school. A centralised process for managing and retaining declarations needs to be established.
- 1.3.6 A review of the declarations of pecuniary interests found inconsistencies in the information recorded on Governors declaration forms compared to the information published on the school website.
- 1.3.7 Budget monitoring meetings have historically been held, with clear documentary evidence in support of the meetings. Since the beginning of the financial year, whilst meetings / discussions regarding the budget have been held, these have not been formally documented. There is a lack of documentary evidence to support these discussions including explanations and planned action in relation to variances in the original budget.
- 1.3.8 Due to the lack of formal budget monitoring meetings and documentation, the Governing Body is not being provided with documentation in relation to budget monitoring, for review. It is acknowledged that the Chair of Governors for Mead now Co-Chair of the new federated Governing Body has been involved in the informal budget monitoring discussions.
- 1.3.9 Income collected by the Breakfast Club is passed over to the office for banking. A manual ledger is maintained, which is signed by the office staff when receiving cash. However, the staff member from the Breakfast Club does not sign the ledger to verify the amount collected and transferred to the office.
- 1.3.10 There is only one set of keys to the safe, which are held by one member of staff and taken off site outside of working hours. In the event that this individual is unexpectedly absent from work, the keys are collected from the individual at home, which is reliant on the individual being available.
- 1.3.11 Information in regards to how school trips are costed, including which costs are being passed onto parents is not documented as part of the school trip. In order to clearly identify which costs are paid by parents and which costs are paid by the school, this information should be retained on file.
- 1.3.12 Evidence of orders being raised retrospectively was found during procurement testing. In order to ensure that budget monitoring can be effectively completed, it is essential to ensure funds are committed against the budget at the earliest opportunity.
- 1.3.13 Procurement testing identified an invoice that was received in January 2016, setting out the need for the invoice to be paid within 30 days. A cheque was not raised until March, almost two months after the invoice was received. Whilst no late payment fine was incurred, it is necessary to ensure swift payment of invoices for efficient budget management.
- 1.3.14 Adequate checks are being undertaken on individuals that would be deemed to be self employed. However, during testing it was noted that a tax reference number provided by one individual did not appear to follow the standard format. Subsequent checks have confirmed that the incorrect reference number was inadvertently provided. This issue has now been resolved.

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- 1.3.15 Payroll reports are subject to monthly checks by the School Business Manager. However, the payroll entry for the School Business Manager is not independently verified to ensure it is correct and an adequate level of segregation of duties is in place.
- 1.3.16 Testing was undertaken to ensure all staff and Governors have been subject to a DBS check within the last three years, in line with the Council's requirements. Testing found that six members of staff have DBS checks that have exceeded the three year renewal period. In three cases the renewal was instigated prior to the expiry date and the delays are outside the control of the school. In the remaining three cases, renewals were not instigated prior to the expiry date.
- 1.3.17 The inventory was checked in May 2016; however the outcome of the check has not been reported to the Governing Body. Testing undertaken on the inventory found that whilst items on the inventory could be located within the school, from a sample of items held in the Computer Store three could not be located on the inventory. Due to the large quantity of IT assets within the store, a further review of the inventory should be undertaken to ensure all assets are adequately recorded.
- 1.3.18 The Scheme of Delegation sets out that the ICT Technician and the Finance & Admin Assistant are responsible for the disposal of school assets; however, testing found that the Head Teacher signs the disposal form. Whilst it would be expected that the Head Teacher approves the disposal of school assets, this is not reflected in the policy. Additionally, it was noted that financial limits have not been determined for the approval to dispose of assets.
- 1.3.19 The disposal of school assets is formally documented. The form sets out the reason for disposal. A review of disposal forms found that in most cases, the reason for disposal was that the item was obsolete. However, there is a need to determine the value of items being disposed of, particularly where the disposal is due to the item being uneconomical to repair. Whilst financial limits for approvers to authorise the disposal of school assets needs to be determined, the current value of assets recommended for disposal would need to be included on the form.
- 1.3.20 Responsibility for approving the loan of school equipment has not been formally agreed and documented.
- 1.3.21 Equipment loaned to staff is formally documented; however, the loan is not signed by an appropriately authorised individual to evidence approval of the loan.

1.4 Assurance level and recommendations

- 1.4.1 A Limited Assurance has been given on the system of internal control.
- 1.4.2 This audit makes three high priority, thirteen medium and two low priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to the need for:

High

- Formal budget monitoring meetings to be implemented;

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- All staff and Governors to be subject to a DBS check every three years in line with the Councils expectations; and
- A review of the inventory to be undertaken to ensure all assets are recorded and outcome of the inventory check to be reported to Governors.

Medium

- Authorised signatories and financial limits set out within the Scheme of Delegation / Delegated Authority document and the Finance Policy & Procedures document to align;
- Minutes to clearly show actions / decisions being made;
- Review and amendment of the information recorded on the schools website in regards to Governor declarations to be completed;
- Budget monitoring documents to be submitted to Governors in advance of the meetings;
- Breakfast Club staff passing cash over to the office, to physically sign the manual ledger;
- All costs relating to a proposed school trip to be identified and documented at the planning stage;
- Action to be taken to address and reduce the raising of orders retrospectively;
- Invoices to be paid in a timely manner;
- Payroll details of the person checking the payroll report to be subject to independent verification;
- A review of the authorised approvers for the disposal of equipment to be carried out, including the need for financial limits for approvers to be determined;
- The cost of items being disposed of to be determined and recorded on the disposal form; and
- Responsibility for the approval of equipment on loan to be documented;
- Loans of equipment to be signed by an appropriate approver.

Low

- A new process for maintaining a shared register of interests for the federated Governing Body to be established; and
- The school should identify alternative arrangements to ensure access to the safe to another member of staff, including access to the safe keys.

Sanders School	Schedule B (2)
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2.1 Outline of Audit

- 2.1.1 The audit of Sanders School was undertaken as part of the rolling triennial programme of school audits as set out in the Council's 2016/2017 audit plan.
- 2.1.2 Sanders School was last audited in June 2013 when the completion of the Triennial Audit resulted in an opinion of Substantial Assurance on the system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, within the areas reviewed, there were limitations that may put some of the system objectives at risk, and/or there was evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- 2.1.3 The June 2013 report made ten recommendations, comprising of two high, five medium and three low priority recommendations. Progress to implement these recommendations has been reviewed as part of this audit.

2.2 Objectives & Scope

- 2.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Leadership and Management;
 - Strategic Planning & Risk Management;
 - Financial Management;
 - Income;
 - Expenditure;
 - Account Management;
 - HR & Payroll; and
 - Asset Control & Data Security.

2.3 Summary of Audit Findings

- 2.3.1 This review found that six of the ten recommendations raised in June 2013 report have been fully implemented.
- 2.3.2 The four outstanding recommendations relate to the need for:
- Checks to be carried on staff using their own car for work purposes (high);
 - The inventory to include all portable / desirable equipment (medium);
 - Inventory checks to be reported to the Governing Body (low); and
 - Action to address the raising of retrospective orders (medium).

These recommendations have been re-iterated in this report.

- 2.4.1 There have been a number of significant staffing changes within the Finance Department. At the time of the audit the School Business Manager, appointed in April 2016, was temporarily covering the day to day running of the department, until the end of the summer term at which point a Senior Finance Officer would be recruited.

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- 2.4.2 As a result of these changes, a number of key documents requested during the audit could not be located. Whilst it is acknowledged that these documents may exist, this report aims to address weaknesses in the control environment identified during the review and so incorporates recommendations regarding missing documents where applicable.
- 2.4.3 There are discrepancies between the authorised signatories and financial limits set out within the Scheme of Delegation / Delegated Authority document and Finance Policy & Procedures document.
- 2.4.4 Information relating to Governor pecuniary interests and attendance at meetings has not been published on the schools website in accordance with legislative requirements.
- 2.4.5 Governors are not provided with documentation (e.g. budget monitoring documents) in advance of the meetings, limiting the time available for information provided to be reviewed and challenged.
- 2.4.6 A review of the Schools Improvement Plan, Asset Management Plan and Health & Safety Plan found that:
- Financial / resource requirements to achieve objectives have not been included / documented;
 - There are no clear links between the plans and the budget;
 - Plans have not been formally approved by Governors.
- 2.4.7 Appropriate checks to verify staffs entitlement to use their car for work purposes have not been completed.
- 2.4.8 The Schools documented Emergency Plan could not be located during the review; as a result there is a lack of documented arrangements in place.
- 2.4.9 Evidence to support the completion of formal budget monitoring is not retained on file.
- 2.4.10 Financial thresholds above which a refund will be given have not been set out within the Charging and Remissions policy.
- 2.4.11 Costs in relation to school trips', including how these costs are passed onto parents is not retained on file. Additionally, profit and loss summaries are not produced at the end of each school trip in order to consider whether the trip resulted in a profit or a loss being made.
- 2.4.12 Petty cash vouchers are not being approved prior to funds being reimbursed to claimants.
- 2.4.13 Orders are being raised on the system after the invoice has been received which impacts on the accuracy of the budget monitoring process.
- 2.4.14 The audited School Fund Account has not been reported to the Governing Body.
- 2.4.15 Bank reconciliations have not been completed on a regular basis.

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- 2.4.16 Discrepancies were noted in those users with access to the finance system, against the approved users set out in the Finance Policy & Procedures document.
- 2.4.17 Payments are being made to individuals that would be deemed to be self employed, without the appropriate checks being completed.
- 2.4.18 Detailed checks are not being carried out on all members of staff to ensure that they are being paid correctly.
- 2.4.19 Payroll details of the person checking the payroll report are not being independently verified.
- 2.4.20 Pay rates are not used to populate time sheets to ensure the accuracy of checks on payroll reports.
- 2.4.21 Timecards are not being approved by an appropriately authorised signatory.
- 2.4.22 Appropriate mechanisms to store Items of equipment securely and keep a record of the item, prior to their distribution and inclusion to the inventory have not been established.
- 2.4.23 An incident of newly purchased iPads going missing does not appear to have been appropriately investigated, reported to the police or formally reported to Governors.
- 2.4.24 Regular checks of the full inventory are not being completed and reported to Governors.
- 2.4.25 The Equipment on Loan register does not include the make / model of the items being loaned.

2.4 Assurance level and recommendations

- 2.4.1 A Limited Assurance has been given on the system of internal control.
- 2.4.2 This audit makes six high priority, seventeen medium and two low priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to the need for:

High

- Authorised signatories and financial limits set out within both the Scheme of Delegation / Delegated Authority and Finance Policy & Procedures to align;
- Appropriate checks to be undertaken to ensure staff using their car for work purposes, are legally entitled to do so;
- Emergency Planning and Business Continuity arrangements to be formally documented;
- Checks to be carried out on self-employed individuals in advance of them being engaged by the school;
- The details, including serial number, or Items of equipment purchased to be clearly documented and items stored securely until such time that the item is added to the inventory and allocated a location; and

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- The circumstances regarding the missing iPads, the absence of investigation into the potential theft and lack of reporting to the police to be formally reported to Governors for recording in the meeting minutes.

Medium

- Governor's pecuniary interests and attendance at meetings to be published on the Schools website;
- Governors to be provided with documentation (e.g. budget monitoring) in advance of a meeting;
- Costs to deliver objectives with strategic plans to be incorporated into the budget setting process and approved by Governors;
- Budget monitoring to be adequately documented retained on file;
- Appropriate documentary evidence to be retained on file for each school trip that evidences clear planning and understanding of school trip costs and how they are passed onto parents, as well as a completed and signed profit and loss summary, presented to Governors;
- Petty cash vouchers to be approved in advance of the reimbursement being issued;
- Action to be taken to reduce the raising of orders retrospectively;
- The School Fund Account to be audited annually in the Autumn Term in line with the Finance Policy & Procedures;
- Bank reconciliations to be completed on a regular basis and submitted to the Council's LMS Team;
- A copy of the current Bank Mandate to retained on file at the School;
- Approved users of the finance system to be amended in the Finance Policy and Procedures document to reflect authorised users;
- Detailed payroll checks to be carried out on all members of staff to ensure that they are being paid correctly;
- Payroll details of the person checking the payroll report to be subject to independent verification;
- Pay rates to be obtained and used to populate time sheets and ensure the accuracy of checks on payroll reports;
- Timecards to be approved by an appropriately authorised signatory;
- A full inventory check to be carried out annually and reported to governors; and
- The Equipment on Loan Register to include the make / model of the item being loaned.

Low

- The Charging and Remissions Policy to include a financial threshold above which refunds will be given; and
- The audited School Fund Account to be reported to the Governing Body.

Broadford Primary	Schedule B (3)
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3.1 Outline of Audit

- 3.1.1 The audit of Broadford Primary School was undertaken as part of the rolling programme of triennial school audits as set out in the Council's 2016/2017 audit plan.
- 3.1.2 Broadford Primary School was last audited in October 2013 when the completion of the Triennial Audit resulted in an opinion of Substantial Assurance on the system of internal control being given. This reflects the fact that while there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- 3.1.3 The January 2014 report made eight recommendations, comprising of four medium and four low priority recommendations. Progress to implement these recommendations has been reviewed as part of this audit.

3.2 Objectives and Scope

- 3.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Leadership and Management;
 - Strategic Planning & Risk Management;
 - Financial Management;
 - Income;
 - Expenditure;
 - Account Management;
 - HR & Payroll; and
 - Asset Control & Data Security.

3.3 Summary of Audit Findings

- 3.3.1 This review found that seven of the eight recommendations raised in the January 2014 report have been fully implemented.
- 3.3.2 The one outstanding recommendation related to planning for future premises related work to ensure that sufficient arrangements can be made to ring fence required budget. This has been reiterated within recommendations of this report.
- 3.3.3 Information relating the Governor pecuniary interests and attendance at meetings has not been published on the schools website as per legislative requirements.
- 3.3.4 Strategic plans for the school have not been put in place for 2016/17. This includes the School Improvement Plan, Asset Management Plan and Health and Safety Plan.

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- 3.3.5 There was no formal agreement regarding the requirements to have alternative accommodation in the event of an emergency at the time of the audit. Due to the two schools now being federated no further action is required.
- 3.3.6 The school do not have a grab bag/ emergency pack containing all the required information in the event of a school evacuation.
- 3.3.7 Although budget monitoring is being carried out regularly the reasons for variances and action to be taken was not documented.
- 3.3.8 It was unclear from available paperwork when the school's Charging and Remissions Policy had last been reviewed. The policy also did not contain a threshold for which refunds would be offered to parents in the event of schools trips making a profit.
- 3.3.9 Procurement testing found a number of orders had been raised retrospectively following receipt of an invoice. Lack of commitment to the budget when raising orders could affect the school's ability to appropriately monitor the current spend against the budget.
- 3.3.10 Multiple purchases were discovered during procurement testing that related to staff events paid for through the schools delegated fund.
- 3.3.11 Checks are not being carried out against self-employed individuals to confirm their employment status prior to the school using their services.

3.4 Assurance level and recommendations

- 3.4.1 A Limited Assurance has been given on the system of internal control.
- 3.4.2 This audit makes four high priority, seven medium and one low priority recommendations that aim to mitigate the risks within the above audit findings.

High

- A documented School Improvement Plan should be produced that sets out academic objectives. The plan should ensure that for each objective, the expected outcome, measurable indicators, expected timescales and any financial or resource costs have been identified. Once produced the plan should be presented to Governors for formal approval;
- A documented Asset Management Plan should be produced that sets out premises related works. The plan should ensure that for each task, the expected completion timescale and financial costs have been identified. Once produced the plan should be presented to Governors for formal approval;
- Spend from the delegated fund should be linked to the education of the pupils and ensure that the principles of public service, in relation to the use of public funds, can be demonstrated; and
- Checks should be carried out on self-employed individuals in advance of them being engaged by the school. These checks should include:
 - Self-Employment Checklists;
 - HMRC ESI Online Tool Checks; and

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- Decisions sheet. Decision sheets should then be approved by an appropriately authorised signatory;

Medium

- Governors' pecuniary interests should be published on the School's website in accordance with statutory requirements and should include any additional Governor roles;
- Governors' attendance at meetings should be published on the School's website in accordance with statutory requirements;
- An emergency grab bag should be set up and responsibility assigned.
- As part of the budget monitoring process explanations should be documented for any variances between budget and spend. An action plan should be put in place to reduce these variances.
- The Charging Policy should be reviewed / approved annually by Governors;
- VAT should be reclaimed wherever possible when administering Petty Cash and Charge Card payments; and
- Action should be taken to address and reduce the raising of orders retrospectively. Staff and Governors should be made suitably aware of the role they play in the budget monitoring process and therefore should ensure that any verbal approval to purchase goods / services are notified to support staff, in order for an order to be raised.

Low

- The Charging Policy should include a financial threshold above which refunds will be given.

Wykeham Primary	Schedule B (4)
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4.1 Outline of Audit

- 4.1.1 The audit of Wykeham Primary was undertaken as part of the rolling triennial programme of school audits as set out in the Council's 2016/2017 audit plan.
- 4.1.2 Wykeham Primary School was last audited in July 2013 when the completion of the Triennial Audit resulted in an opinion of Substantial Assurance on the system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, within the areas reviewed, there were limitations that may put some of the system objectives at risk, and/or there was evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- 4.1.3 The July 2013 report made ten recommendations, comprising of one high, seven medium and two low priority recommendations. Progress to implement these recommendations has been reviewed as part of this audit.

4.2 Objectives and Scope

- 4.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Leadership and Management;
 - Strategic Planning & Risk Management;
 - Financial Management;
 - Income;
 - Expenditure;
 - Account Management;
 - HR & Payroll; and
 - Asset Control & Data Security.

4.3 Summary of audit findings

- 4.3.1 Clerking of committee meetings has been inconsistent due to regular changes in the clerk. From April 2017 the school will be purchasing the full clerk package from Havering Governor Services.
- 4.3.2 Pecuniary interest forms could not be located for staff/ governors who had completed them prior to September 2016.
- 4.3.3 Governor information included on the schools website does not fulfil requirements from DfE.
- 4.3.4 The School Improvement Plan does not include any estimated costs for delivery so there appears to be no links to the budget.
- 4.3.5 The school does not have an Asset Management Plan detailing all building improvements to be completed; this will be developed once the site survey results are received.

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- 4.3.6 Checks have not been completed for those staff that use their car for work purposes.
- 4.3.7 The Emergency Plan appears to be last reviewed in September 2015, due to staff changes this now needs amending.
- 4.3.8 Budget monitoring has not been completed in detail since September 2015.
- 4.3.9 Access to the keys for the safe is not restricted. The keys are held in a small jar in an unlocked cupboard.
- 4.3.10 An income and expenditure summary for the previous residential trip could not be located during the visit, this should be completed for future trips.
- 4.3.11 Lettings agreements were kept for all but one current letting; however none contained an approving signature from someone within the school.
- 4.3.12 No documentation relating to insurance, DBS details or health and safety reports could be located for all current lettings.
- 4.3.13 No VAT is currently being reclaimed for petty cash purchases. Due to the level of use of the petty cash account this could have a potentially significant effect.
- 4.3.14 Petty cash is used so frequently it is being reconciled multiple times per month.
- 4.3.15 At the time of the visit there were no agreed procurement processes in place throughout the school.
- 4.3.16 A sample test of ten purchases found that in five cases the order had been raised after the invoice had been received.
- 4.3.17 Due to delays in raising orders there were multiple instances of invoices being paid late.
- 4.3.18 During the visit it was not possible to locate quotes/ tenders for any of the current contracts the school has in place.
- 4.3.19 A file pertaining to the school fund was located but didn't appear to have been reviewed since 2013. It was not possible to evidence that any reconciliation of the account had been completed in the interim period.
- 4.3.20 The school fund did not appear to have been audited in previous years.
- 4.3.21 A copy of the bank mandate could not be located during the audit visit. Due to changes in the authorised signatories the details on the mandate are due to change.
- 4.3.22 The current Finance Policy includes the access rights for the FMS system, however due to multiple staffing changes since the policy was agreed in March 2016 this information is no longer accurate.

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4.3.23 Access to the keys for the personnel files is not restricted. A spare key is held in an unlocked drawer in the HR office.

4.3.24 Two personnel files were found to contain no documentation.

4.3.25 Payroll checks have not been completed by staff within the school since September 2016.

4.3.26 Pay rates for additional hours have not been included on the completed timesheets. This would allow for more accurate checks to be carried out against the payroll reports.

4.3.27 There is currently no accessible inventory of equipment within the school.

4.3.28 It could not be evidenced that any regular checks have been completed for the inventory of equipment.

4.3.29 Due to a lack of inventory it is unclear as to whether any equipment has been disposed of, or whether the correct procedures were followed.

4.3.30 There is no formal record of equipment that has been loaned to staff.

4.3.31 Throughout the audit visit there were multiple instances of documents not being able to be located; this is reflected in the detailed findings below.

4.4 Assurance level and recommendations

4.4.1 A Limited Assurance has been given on the system of internal control.

4.4.2 This audit makes thirteen high priority and twelve medium priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to the need for:

High

- Checks should be undertaken on all staff to ensure that those that drive for business use have the relevant insurance and driving documentation.
- The budget should be subject to regular monitoring in order to identify and address potential overspends / discrepancies.
- Keys should be held in a safe and secure location.
- A clearly defined procurement process to be developed and followed by all staff when purchasing goods/ services.
- Quotes / tenders should be obtained for all contracts in excess of thresholds.
- The School Fund Account should be regularly reconciled.
- The School Fund Account should be subject to independent audit on a regular basis.
- Efforts should be made to find the missing personnel files, or to re-gather the information to be held by the school
- Access to personnel information should be adequately restricted.
- Payroll should be checked on a monthly basis.
- A process should be designed to monitor and maintain an effective control of inventory.

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- A review of the inventory should be completed annually.
- A record of equipment on loan should be maintained which includes:
 - Make
 - Model
 - Serial number
 - Loanee details
 - Approving signature
 - Verifying signature upon return
 - Terms and conditions of use

Medium

- All Governors / Staff with responsibility for financial decisions and / or involvement in a financial process should complete a declaration of pecuniary interest annually.
- Governor's attendance at meetings should be published on the Schools website in accordance with statutory requirements.
- The financial / resource costs required to deliver the objective should be documented within the School Improvement Plan and incorporated into the budget.
- Once the outcome of the site survey are received by the school, a formal Asset Management Plan should be developed that includes all planned works, the expected timescale for delivery and an estimate cost.
- The Emergency / Business Continuity Plan should be updated to include clear roles, responsibilities and action to be taken.
- An income and expense summary should be completed at the end of each school trip. The summary should be signed by the person completing the reconciliation, signed by an appropriate approver and submitted to Governors for information purposes.
- Agreements, signed by both a representative of the school and the lettee, should be in place for all lets.
- Evidence that all lets have appropriate insurance cover (Public Liability in excess of £5m) should be retained by the school.
- Evidence that DBS have been completed (where applicable) should be obtained and recorded.
- Action should be taken to address and reduce the raising of orders retrospectively. Staff and Governors should be made suitably aware of the role they play in the budget monitoring process and therefore should ensure that any verbal approval to purchase goods / services are notified to support staff, in order for an order to be raised.
- A copy of the bank mandate should be requested from the bank and maintained on file by the school.
- The Finance Policy should be amended to reflect the current agreed access rights to FMS.

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Appendix C: List of High Risk Recommendations and status

Of the five high priority recommendations due, one has been completed and four remain in progress.

Audit Year	Area Reviewed	Director / HoS Responsible	Recommendation	Status
15/16	Service Manager	Exchequer & Transactional Services	Training to be undertaken by those staff responsible for creating performance reports.	Complete
			Reports to be created/ extracted that accurately reflect the performance against agreed objectives.	In Progress
15/16	Offsite Storage	ICT Services / Finance	Market testing for offsite storage should be carried out as soon as possible, to identify whether value for money is being achieved.	In Progress
			Officers should ask Iron Mountain for a copy of their disaster recovery plan and enquire whether it has been tested recently.	In Progress
			Officers should satisfy themselves that the current security arrangements are robust.	In Progress